



Quantifying EHS Programs: 10 Intangible Value Drivers that Promote the Bottom Line

Performance Track Tele-Seminar Summary

July 20, 2004

Speakers

- Elizabeth Girardi Schoen, Pfizer Inc.(also Chairman of the Board of the Global Environmental Management Initiative)
- John Harris, Eli Lilly and Company
- Keith Miller, 3M

Topic Summary

Participants in this tele-seminar discussed the results of a study by the Global Environmental Management Initiative (GEMI) that identified key drivers linking environment, health, and safety (EHS) performance to shareholder value. There were approximately 37 participants.

Key Points from Presentation

- **Intangibles are important:** Intangible assets such as intellectual property, workforce skills, reputation and brand image, and customer satisfaction are increasingly viewed as the key drivers to wealth production, overshadowing physical and financial assets. *(Slides 7-9 and 12 in presentation)*
- **EHS excellence is an indicator of superior management:** Strong environmental performance can be used as a surrogate measure of effective overall management of a company. *(Slide 11 in presentation)*
- GEMI has developed a “top 10” list of intangible value drivers for measuring EHS performance *(Slides 13-14 in presentation)*:
 - **Customer Satisfaction:** The ability to develop customer relationships, satisfaction and loyalty.
 - **Leadership and Strategy:** Management capabilities, experience and leadership’s vision for the future.
 - **Transparency:** Does management communicate honestly and openly? Are its communications believed and trusted? Does it hold itself accountable?
 - **Brand Equity:** Strength of market position. The ability to expand the market, perception of product/service quality and investor confidence.

Download the Presentation and the Report

The tele-seminar presentation may be [downloaded here](#). (PDF, 2 MB, 39 pp.)

The presentation was based on GEMI’s publication, “Clear Advantage: Building Shareholder Value.” The full report may be [downloaded here](#). (PDF, 480 KB, 56 pp.)

- **Environmental and Social Reputation:** How the company is viewed globally with regard to environmental concerns, community concerns, regulators' concerns, inclusion in "most admired company" lists, triple bottom line.
- **Alliances and Networks:** Supply chain relationships, strategic alliances, partnerships.
- **Technology and Processes:** Strategy execution, IT capabilities, inventory management, turnaround times, flexibility, reengineering, quality, internal transparency.
- **Human Capital:** Talent acquisition, workforce retention, employee relations, compensation, what makes a "great place to work."
- **Innovation:** The R&D pipeline, effectiveness of new-product development, patents, know-how, business secrets.
- **Risk:** The ability to effectively manage the balance between potential liabilities and potential opportunities.

Case Studies

John Harris of **Eli Lilly & Company** stepped in for his colleague on the GEMI project, Jim Thomas, to discuss how **Novartis** incorporates intangible value drivers into three aspects of its business: risk portfolio management, business continuity management, and product stewardship.

All Novartis facilities are required to prepare a risk portfolio (*slides 18-21 in presentation*), a matrix that identifies major risks and their levels of control. These portfolios are rolled up from the site level to the sector, business, regional, and business group levels to help managers identify and manage risks throughout the value chain.

Novartis also has developed a business continuity management program (*slides 22-28 in presentation*), which identifies the types of interruptions that could affect the company's mission-critical functions and business processes. The company starts by completing an inventory of its critical business processes, and then analyzes its vulnerabilities and the business impacts of interruptions. Based on this information, it develops, implements, and tests a business continuity plan.

Product stewardship at Novartis (*slides 29-31 in presentation*) focuses on anticipating potential risks associated with the design, material acquisition, distribution, and use of its products. The company's methodology for product stewardship is adapted from information used for its physical risk management. Novartis works to integrate product stewardship into its decision-making processes, and in the development of strategies, targets, and priorities.

Keith Miller of **3M** talked about his company's efforts to build a reputation for sustainability (*slides 34-37 in presentation*). Miller focused on the intangibles of environmental and social reputation, brand equity, and human capital. 3M views enhanced reputation and brand as a business driver for its sustainability efforts, along with the benefits of enhanced employee recruitment and retention. The company is increasingly recognized as a sustainability leader by governments, nongovernmental

organizations (NGOs), and business groups, with high ratings in the Dow Jones Sustainability Index, the Harris Annual Reputation Survey, and other industry rating indices. This recognition plays a factor in 3M's inclusion in socially and environmentally screened investment funds.

John Harris wrapped up the tele-seminar with a summary of the “clear advantage” process (*slide 37 in presentation*): Start by identifying the key value drivers and defining the potential contributions that EHS can make. Develop a strategy to support leveraging those drivers, then implement your strategy and communicate it to management, external stakeholders, and shareholders.